

## CHAPTER XV.

### THE NATIONAL BANKING SYSTEM.

State of the National Finances at the Beginning of the War—The Suspension of Specie Payments and the Loan Policy of Secretary Chase—The First Plans for the National Banking System—Changes in the Circulation—The Necessity for a New System and the Plan of Secretary Carlisle—The Adoption of the Gold Standard in 1900, and Later Efforts to Secure Banking Reform.

THE national banking system of the United States had its origin in the management of the finances during the Civil War. The system was hardly in operation until the war was two-thirds over, but it offered a market for the public securities which contributed materially to raise their price in the depreciated paper with which the government discharged its obligations. The system afforded the country for some years a currency having the advantages of uniformity and security, and possessed in these respects a great advantage over the bank currency of the different States which had before been in use. The national banking system, however, great as were its services in absorbing the evidences of the public debt, always lacked the essential feature of a purely banking currency. The currency was without elasticity, in the sense of responsiveness to the demands of business, and the volume fluctuated only with the price of securities. The gradual reduction of the public debt has removed the basis for national bank-note circulation until it has become but a minor factor in the currency system of the country, and a strong demand has arisen for the separation of the note issues from public securities.